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In the

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-2006

COLORADO MAGNETICS, INC., d/b/a SOUND VALUES, INC., SOUND VALUES MARKETING CORP. and MAGNETIC RECORDERS CORP., RANDY SHERMAN and HARRY CUMMINGS, JR., *Petitioners*,

VERSUS

EDWARD B. MARKS MUSIC CORPORATION, *Respondent*.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

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TABLE OF CONTENTS

	PAGE
Citations to Opinions Below	2
Jurisdiction	2
Question Presented for Review	3
Constitutional Provision Involved	3
Statutory Provisions Involved	4
Statement of the Case	4
Reasons for Grant of Certiorari	6
1. The question presented in this case is of major importance to thousands of composers and composition copyright owners, involves the potential civil and criminal liability of many manufacturers, and requires a final determination by this Court	6
2. The Tenth Circuit decision on the question presented in this case is in direct conflict with this Court's decision in the Goldstein case	11
3. The Tenth Circuit decision on the question involved in this case is in direct conflict with the present federal copyright law	12
4. MAGNETICS' position—contrary to the Tenth Circuit decision—is supported by the leading copyright authority in the United States	15
Conclusion	16

TABLE OF CONTENTS CONTINUED

APPENDICES

		PAGE
Appendix A.	17 U.S.C. §1(e)	i-ii
Appendix B.	17 U.S.C. §26	iii
Appendix C.	17 U.S.C. §101(e)	iv
Appendix D.	17 U.S.C. §104	v
Appendix E.	Order of the United States Court of Appeals, Tenth Circuit, Staying the Mandate	vi-vii
Appendix F.	Order Upon Rehearing and Two-Page Opinion of the United States Court of Appeals, Tenth Circuit	vii-ix
Appendix G.	Letter to counsel and docket entry re: Order-Petition for rehearing GRANTED (no formal order was entered)	x
Appendix H.	Judgment and Opinion of the United States Court of Appeals, Tenth Circuit	xi-xxv
Appendix I.	Notice of Appeal and Amended Notice of Appeal	xxvi-xxix
Appendix J.	Judgment of the United States District Court	xxx-xxiv
Appendix K.	Findings of Facts and Conclusions of Law of the United States District Court	xxxv-li

TABLE OF AUTHORITIES

CASES: PAGE

Aeolian Co. v. Royal Music Roll Co., 196 Fed. 926 (W.D. N.Y. 1912) 7, 15

Duchess Music Corp. v. Stern, 458 F.2d 1305 (9th Cir. 1972) 6, 7

Fame Publishing Co. v. S&S Distributors, Inc., 363 F.Supp. 984 (N.D. Ala. 1973) 7

Goldstein v. California, 412 U.S. 546 (1973) 6, 9, 10, 11, 12

Jondora Music Publishing Co. v. Melody Recordings, Inc., 351 F.Supp. 572 (D. N.J. 1973) 6, 7

Jondora Music Publishing Co. v. Melody Recordings, Inc., 362 F.Supp. 488 (D. N.J. 1973) 7

Jondora Music Publishing Co. v. Melody Recordings, Inc., 362 F.Supp. 494 (D. N.J. 1973) 7

CONSTITUTIONAL PROVISIONS:

United States Constitution, Art. I, Sec. 8, Cl. 8 3

STATUTES:

17 U.S.C. §1(e) 3, 4, 6, 7, 11, 12, 13, 14

17 U.S.C. §26 4, 12, 14

17 U.S.C. §101(e) 3, 4, 6, 7, 11, 12, 13, 14

17 U.S.C. §104 4, 10

28 U.S.C. §1254(1) 2

TREATISES:

Nimmer on Copyright, §§108.3, 108.4, 108.4621 8, 15-16

MISCELLANEOUS:

H.R. Rep. No. 2222, 60th Cong., 2d Sess. (1909) 8

H.R. Rep. No. 98-487, 92d Cong., 1st Sess. (1971) 8, 14

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MAGNETICS[1] prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Tenth Circuit entered in the above entitled case on February 28, 1974, a copy of the judgment and opinion being appended hereto as Appendix H, and the order upon rehearing entered on May 28, 1974, a copy being appended hereto as Appendix F.

[1] Petitioners, Colorado Magnetics, Inc., d/b/a Sound Values Inc., Sound Values Marketing Corp. and Magnetic Recorders Corp., Randy Sherman and Harry Cummings Jr., referred collectively herein as "MAGNETICS" for clarity.

CITATIONS TO OPINIONS BELOW

The order of the United States Court of Appeals for the Tenth Circuit upon Rehearing of the above entitled case has not been reported in the Federal Reporter as of the date of this Petition; however, a copy of the opinion and order upon rehearing is appended hereto as Appendix H.

The judgment and opinion of the United States Court of Appeals for the Tenth Circuit entered on February 28, 1974, has not been reported in the Federal Reporter; however, the opinion was reported in the United States Patent Quarterly, 181 U.S.P.Q. 129, and a copy is appended hereto as Appendix H.

There was no opinion by the District Court. The Findings of Fact and Conclusions of Law and the Judgment of the District Court were reported at 357 F.Supp. 280, and copies of each are appended hereto as Appendices J and K, respectively.

JURISDICTION

The date of the judgment of the Court of Appeals (Appendix H) was February 28, 1974, and the judgment was entered February 28, 1974. The date of the order upon rehearing (Appendix F) was May 28, 1974, and the order upon rehearing was entered May 28, 1974.

Jurisdiction is conferred upon this Court to review the judgment of the Court of Appeals by Writ of Certiorari by United States Code, Title 28, §1254(1).

QUESTION PRESENTED FOR REVIEW

The decisions of the courts below include issues relating to the misuse of copyrights and certain questionable conduct of MARKS.[2] MAGNETICS does not seek review of these issues via this Petition. MAGNETICS seeks review by this Court of only those portions of the decision of the Court of Appeals for the Tenth Circuit relating to nature and extent of the exclusive rights of the owner of a copyrighted musical composition under the federal copyright law.[3]

The single important question presented for review is: Does the duplication of a commercially available, *uncopyrighted third party's* sound recording constitute an infringement under 17 U.S.C. §101(e) of the copyright in the musical composition where the manufacturer serves notice and pays the statutory royalty to the composition copyright owner as required by the compulsory license provision of the federal copyright law [17 U.S.C. §§1(e), 101(e)].[4]

CONSTITUTIONAL PROVISION INVOLVED

The Congress shall have power—To promote the Progress of Science and Useful Arts by securing for limited Times to Authors and Inventors the Exclusive Right to their respective Writings and Discoveries. United States Constitution, Article I, Section 8, Clause 8.

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[2] Respondent, Edward B. Marks Music Corporation, referred to herein as "MARKS" for clarity.

[3] The term "copyright law," as used herein, refers to Title 17 of the United States Code, unless otherwise specified.

[4] The term "compulsory license provision," as used herein, refers to Sections 1(e) and 101(e) of Title 17 of the United States Code [17 U.S.C. §§1(e), 101(e)].

STATUTORY PROVISIONS INVOLVED

The federal statutes involved are: Section 1(e) of the United States Code, Title 17 [17 U.S.C. §1(e)]; Copyright Act of July 30, 1974, c. 391, §1, 61 Stat. 652, and July 17, 1952, c. 923, §1, 66 Stat. 752, derived from Section 1 of Title 17, U.S.C., 1946 Ed. [Act of March 4, 1909, c. 320, §§1, 64, 35 Stat. 1075, 1088], without change; Section 26 of the United States Code, Title 17 [17 U.S.C. §26] as amended Oct. 15, 1971, Pub. L. 92-140, §1(e), 85 Stat. 391; Section 101(e) of the United States Code, Title 17 [17 U.S.C. §101(e)] as amended Oct. 15, 1971, Pub. L. 92-140, §2, 85 Stat. 392; and Section 104 of the United States Code, Title 17 [17 U.S.C. §104], July 30, 1947, c. 391, 61 Stat. 652.

The four federal statutes involved [17 U.S.C. §§1(e), 26, 101(e), 104] are printed in Appendices A, B, C and D, respectively.

STATEMENT OF THE CASE

MAGNETICS manufactures and sells recordings of performances which are produced by duplicating commercially available, *uncopyrighted* sound recordings. The sounds reproduced by MAGNETICS included performances of various musical compositions, and this case involves eleven (11) copyrighted compositions owned by MARKS, a music publisher.[5]

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[5] The singers and musicians who performed the compositions and the various recording companies who initially recorded and sold records embodying the performances are *NOT* parties to this suit. All of the records duplicated by MAGNETICS were pre-1972 records and there are no issues in this case involving copyrighted sound recordings. Further, no claim has been made that MAGNETICS violates the law of any state and no claim has been made that MAGNETICS infringes any common law property right.

MAGNETICS served notice of intention to use and tendered monthly royalty payments to MARKS in compliance with the compulsory license provision of the federal copyright law. However, MARKS refused MAGNETICS' royalty payments and, instead, instituted the present suit claiming MAGNETICS' manufacture and sale of recordings was an infringement of MARKS' copyright in the underlying musical compositions under 17 U.S.C. §101(e).

The District Court concluded that MAGNETICS' use of MARKS' copyrighted compositions was not an infringement and that MAGNETICS' use was in compliance with the compulsory license provision of the federal copyright law (Appendices J and K).

With respect to the construction of the compulsory license provision of the federal copyright law, the Court of Appeals for the Tenth Circuit reversed the judgment of the District Court and held that the compulsory license provision of the federal copyright law was limited to original recordings produced from live performances and the manufacture of recordings produced by copying a *third party's* record was an infringement of the copyright in the musical composition under 17 U.S.C. §101(e).

Recognizing the *exceptional* importance of the question involved in this case, the Tenth Circuit granted MAGNETICS' petition for rehearing and the case was argued before the *en banc* panel of the Court, although a rehearing *en banc* was not specifically requested. The majority of the *en banc* panel on rehearing adhered to the initial decision reversing the District Court (Appendix F).

The Honorable David T. Lewis, Chief Judge, dissented from the initial decision and on rehearing, expressing complete accord with the views of Judge Lacey in *Jondora Music Publishing Co.* v. *Melody Recordings, Inc.*, 351 F.Supp. 572 (D. N.J. 1972), and of Judge Byrne, dissenting in *Duchess Music Corp.* v. *Stern*, 458 F.2d 1305 (9th Cir. 1972). The Honorable Judge Holloway joined Judge Lewis in that dissent on rehearing.

MAGNETICS filed the present petition with this Court after the order on rehearing was entered.

REASONS FOR GRANT OF CERTIORARI

MAGNETICS requests this Court to grant a Writ of Certiorari for the following reasons:

1. THE QUESTION PRESENTED IN THIS CASE IS OF MAJOR IMPORTANCE TO THOUSANDS OF COMPOSERS AND COMPOSITION COPYRIGHT OWNERS, INVOLVES THE POTENTIAL CIVIL AND CRIMINAL LIABILITY OF MANY MANUFACTURERS, AND REQUIRES A FINAL DETERMINATION BY THIS COURT.

The present case is the first case decided by a Court of Appeals which clearly presents the question of the composition copyright owner's right to control the manufacture of mechanical reproductions produced by copying a *third party's* record where the manufacturer has complied with the notice and royalty payments required via the compulsory license provision of the federal copyright law [17 U.S.C. §§1(e), 101(e)].[6]

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[6] The single question involved in the present case was discussed by this court in the case of *Goldstein* v. *California*, 412 U.S. 546, 566 (1973) at footnote 23, wherein it was assumed *arguendo* that a use of copy-

The rights granted to the copyright owner are exclusive, except for the right to control mechanical reproductions. Congress specifically conditioned the composer's right to control mechanical reproductions on the compul-

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[6] *(Continued)*
righted musical compositions, such as made by MAGNETICS in the present case, was within the compulsory license provision of the federal copyright law. The decision of the Court of Appeals for the Tenth Circuit in this case is contrary to this Court's assumption.

In an earlier case, *Duchess Music Corp.* v. *Stern*, 458 F.2d 1305 (9th Cir. 1972), *pet. for rehearing* and *rehearing en banc denied* April 26 1974, *cert. denied* 409 U.S. 847 (1972), the applicability of the compulsory license provision to the manufacture of recordings produced by copying a third party's record was discussed. However, the defendants had made no effort to comply with the compulsory license provision [17 U.S.C. §§1(e), 101(e)] and they were not paying the required statutory royalties to the copyright owners. The defendants were, in fact, infringing the composition copyrights. After the writ of seizure had been executed, one of the defendants did file a notice of intention to use, and this prompted the comments of the Ninth Circuit on the applicability of the compulsory license provision. Further, the *Duchess* case was decided on an interlocutory appeal and was decided prior to this Court's decision in the *Goldstein* case.

Since the *Duchess* case, Judge Lacey, a district court judge in the Third Circuit, has rendered three written opinions concluding that the compulsory license provision was applicable and the composers were entitled to receive the statutory royalty payments—a conclusion contrary to the Tenth Circuit decision in this case. *Jondora Music Publishing Co.* v. *Melody Recordings, Inc.*, 351 F.Supp. 572 (D. N.J. 1972); *Jondora Music Publishing Co.* v. *Melody Recordings, Inc.*, 362 F.Supp. 488 (D. N.J. 1973); and *Jondora Music Publishing Co.* v. *Melody Recordings, Inc.*, 362 F.Supp. 494 (D. N.J. 1973). Further, the last two opinions by Judge Lacey specifically considered this Court's decision in the *Goldstein* case and the effect of the 1971 amendment to the copyright law (Public Law 92-140, 85 Stat. 391).

In the Fifth Circuit, a district court decided the question involved in this case in a manner similar to the Tenth Circuit decision. *Fame Publishing Co.* v. *S&S Distributors, Inc.*, 365 F.Supp. 981 (N.D. Ala. 1973).

In an earlier case, *Aeolian Co.* v. *Royal Music Roll Co.*, 196 Fed. 926 (W.D. N.Y. 1912), the Court concluded that a licensee of the copyright owner (the original manufacturer) could maintain an action for infringement of the musical composition where the licensee's record was copied.

sory license provision which provides that, once the composer has permitted the manufacture of mechanical reproductions of a copyrighted composition, then anyone may make a similar use upon payment of the required statutory royalty.[7]

The intention of Congress in enacting the compulsory license provision was twofold: to insure that composers of original musical works received adequate *compensation* to encourage further creative effort by such composers; and to avoid establishing a great music monopoly.[8]

MARKS acquires musical compositions from composers and licenses the right to make mechanical reproductions through The Harry Fox Agency, Inc. along with some 3500 music publishers—most of the music publishers in the United States.[9] MARKS and most of

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[7] Nimmer on Copyright, §108.3, 108.4, pp. 420, 421.

[8] H.R. Rep. No. 2222, 60th Cong., 2d Sess. at 6 (1909):

> "Your committee have felt that justice and fair dealing, however, required that when the copyrighted music of a composer was appropriated for mechanical reproduction the composer should have some compensation for its use and that the composer should have the further right of forbidding, if he so desired, the rendition of his copyrighted music by the mechanical reproduction. How to protect him in these rights without establishing a great music monopoly was the practical question the committee had to deal with. The only way to effect both purposes, as it seemed to the committee, was, after giving the composer the exclusive right to prohibit the use of his music by the mechanical reproducers, to provide that if he used or permitted the use of his music for such purposes then, upon payment of a reasonable royalty, all who desired might reproduce the music."

[9] H.R. Rep. No. 98-487, 92d Cong., 1st Sess. (1971) at 61-66.

Although MARKS was the named music publisher in this case, the lawsuit was litigated and financed by The Harry Fox Agency, Inc., from a contingency fund collected from all of the music publisher members (Appendix K). Also see: H. R. Rep. No. 98-487, 92d Cong., 1st Sess. (1971) at 61-66.

the other music publishers represented by The Harry Fox Agency, Inc. follow the same procedure of refusing royalty payments from the manufacturers who duplicate *third party's* records, such as MAGNETICS.

The one thing Congress intended to secure for the composers—payment or compensation—has been unequivocally refused by MARKS and the other music publishers, and the composers of the original musical works are losing untold thousands of dollars in royalty compensation each month. The Tenth Circuit decision in this case obviously encourages and establishes the continuation of this practice.

The compensation to the composers represents a public policy coupled with the grant of a statutory monopoly and the intent of Congress to insure such compensation to the composers has been specifically recognized by this Court.[10] The composer's right to compensation and the manufacturer's statutory obligation to compensate the composers for the production of recordings necessarily involve the extent of exclusive control granted via the federal copyright law and present issues of extreme public importance involving drastic and far reaching social and economical consequences requiring a final determination by this Court of the question involved in this case.

Further, the Tenth Circuit decision expands the composition copyright owner's control to all mechanical reproductions excepting only the limited area of recordings produced from live performances. Thus, the Tenth Circuit decision will have the effect of encouraging and, in fact,

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[10] *Goldstein* v. *California*, *supra*, at 565.

creating the one thing Congress feared—the great music monopoly—since virtually all of the music publishers in the United States license the right to make mechanical reproductions through one single entity, The Harry Fox Agency, Inc. The interpretation of a federal law creating an atmosphere encouraging and sanctioning control of such catastrophic proportions provides yet another reason why the question presented in this case should be determined by this Court.

Assuming the Tenth Circuit decision in this case becomes the law of the land, then the continued production of recordings made by reproducing an uncopyrighted, *third party's* record will be a willful infringement of the composition copyright and subject to the criminal sanctions of the federal copyright law [17 U.S.C. §104], thereby making the copying of pre-1972, uncopyrighted sound recordings a criminal offense under the federal copyright law. This result is directly contrary to this Court's determination that pre-1972, uncopyrighted recordings are not encompassed via the federal copyright law.[11] The Tenth Circuit decision will result in the enforcement responsibility and accompanying financial burden being shifted to the United States Department of Justice and a departure of this proposition from an accepted interpretation of the federal copyright law provides still another reason why this Court should grant Certiorari in this case.

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[11] *Goldstein* v. *California*, *supra*, at 568.

2. THE TENTH CIRCUIT DECISION ON THE QUESTION PRESENTED IN THIS CASE IS IN DIRECT CONFLICT WITH THIS COURT'S DECISION IN THE *GOLDSTEIN* CASE.

The Tenth Circuit decision is in direct and total conflict with this Court's rationale and decision in the *Goldstein* case.[12]

In extending the composition copyright owners exclusive control, the Tenth Circuit concluded that the duplication of a performance embodied on a *third party's* record without the consent of the *record owner* constitutes an infringement of the copyright in the musical composition under 17 U.S.C. §101(e). Thus, the same identical activity prohibited by the California state statute involved in the *Goldstein* case was determined by the Tenth Circuit to constitute an infringement of the composition copyright owner's rights under the federal copyright law [17 U.S.C. §§1(e), 101(e)]—contrary to this Court's conclusion that Congress has left this area unattended.[13]

Further, the state laws and the federal copyright law each would be applied to the same activity in a totally inconsistent manner, since the state laws would prevent the duplication of pre-1972, uncopyrighted records even where the copyright in the musical composition has expired or is invalid or where the composition copyright owner specifi-

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[12]In *Goldstein*, contrary to the conclusion of the Tenth Circuit, this Court specifically reviewed the history relating to the extension of federal copyright protection to original musical compositions and specifically considered the extent of the composer's control over mechanical reproductions under the federal copyright law. *Goldstein* v. *California*, *supra*, at 564.

[13]*Goldstein* v. *California*, *supra*, at 570.

cally licenses the duplication. In addition, the composition copyright owner can enjoin the duplication of pre-1972, uncopyrighted records in the absence of a state law and even where a state law frees from protection such pre-1972, uncopyrighted records.

The Tenth Circuit's decision thus jeopardizes this Court's decision in *Goldstein* as controlling law, and leaves the various state statutes enacted and enforced in reliance upon this Court's decision in *Goldstein* open to challenge on the basis that Congress has, in fact, acted in the identical area found to be unattended in *Goldstein*.[14] This conflict should be finally resolved by this Court.

3. THE TENTH CIRCUIT DECISION ON THE QUESTION INVOLVED IN THIS CASE IS IN DIRECT CONFLICT WITH THE PRESENT FEDERAL COPYRIGHT LAW.

The Tenth Circuit decision conflicts with the 1971 amendment to the federal copyright law (Public Law 92-140, 85 Stat. 391). Section 26 as amended in 1971 [17 U.S.C. §26] specifically was made applicable to the compulsory license provision [17 U.S.C. §§1(e), 101(e)] and this section defines the subject matter encompassed via Section

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[14]For example, the following states have enacted laws similar to the state law considered in *Goldstein*: Arizona, Rev. Stat. Ann., §13-1024 (1972-3 Supp.); Arkansas, Stat. Ann., §41-4617 (1971 Supp.); California, Penal Code, §653h (West 1970); Florida, Florida Stat. Ann., §543.041 (1972); Louisiana, La. Act 350 (Reg. Sess. 1972); Maryland, Sen. Bill 161, effective July 1, 1973; Minnesota S.F. No. 1667, enacted May 23, 1973; New York: McKinney's Gen. Bus. Law, §561 (1968); Pennsylvania, 18 P.S. §4678.1 (Supp. 1973); Tennessee, Tenn. Code Ann., §39-4244 through §39-4250 (1971 Supp.); Texas, Tex. Pen. Code Ann., art. 1137r (1972); Utah, Utah Code Ann., §§13-10-3 through 13-10-6 (1973 Supp.), March 7, 1973; Virginia, Va. Code, §§59.1-41.1 through 59.1-41.6 (1973).

1(e) [17 U.S.C. §1(e)] as reproductions of sound recordings—not the first recording made from a live performance. Although the 1971 amendment was not considered in construing the compulsory license provision, the Tenth Circuit necessarily concluded the manufacture of recordings involving the copying of a *third party's* record constituted an infringement under 17 U.S.C. §101(e) and this section was completely revised via the 1971 amendment.

Under the Tenth Circuit decision, the composition copyright owner now can enjoin the duplication of records published after the effective date of the 1971 amendment even where the record owner completely fails to comply with the requirements of the federal copyright law and where the copyright in the sound recording is invalid or expired.

The intent of the 1971 Congress in amending the federal copyright law to expand the remedies available to composition copyright owners and define mechanical reproductions is clear and unequivocal.[15] The question presented

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15 "If the unauthorized producers pay the statutory mechanical royalty required by the Copyright Act for the use of the copyrighted music there is no federal remedy currently available to combat the unauthorized reproduction of the recording.

* * * * *

"This section amends Section 101(e) of title 17 to make criminal sanctions immediately available to prevent piracy of already existing recordings of copyrighted musical works where the pirate does not pay the statutory royalty to the holder of the musical copyright." H.R. Rep. No. 92-487, 92d Cong., 1st Sess. (1971) at 2, 9.

In addition it should be noted that MAGNETICS' position was supported by the Assistant Registrar of Copyrights, while testifying on the history of the compulsory license provision:

"Not all, but the great majority of unauthorized record producers do not go ahead and take the chance. They are really operating our-

in the present case was decided by the Tenth Circuit in direct conflict with the express language of the federal copyright statutes [17 U.S.C. §§1(e), 26, 101(e)], and the Tenth Circuit decision is directly contrary to the intent and understanding of Congress. A departure of this nature on the basis of some public policy while disregarding the intent of Congress requires the exercise of this Court's power of supervision and the question involved in this case should be finally resolved by this Court.

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[15] (Continued)
side the law. They are violating sections 1(e) and 101(e) of the copyright statute. There are some who go through these very elaborate procedures that are required by the law, and comply with the compulsory license." Hearing before the Committee on the Judiciary House of Representatives, 92d Con., 1st Sess. (1971) at 18.

The Depury Attorney General in a letter to Emanuel Celler, Chairman of the Commitee on the Judiciary, stated:

"However, since the bill provides that the amendment to 17 U.S.C. 101(e) will take effect immediately upon enactment, criminal sanctions would seem to be available to prevent further piracy of existing recordings where copyrighted music was used and the pirate does not pay the statutory royalty to the holder of the musical copyright." Hearings before the Committee on the Judiciary House of Representatives, 92d Cong., 1st Sess. (1971) at 122.

No one, including the music publishers who presented testimony at the Hearings before the Committee on the Judiciary, House of Representatives, 92d Cong., 1st Sess., 1971, believed the music publishers or the composition copyright owners had the right to enjoin the duplication of pre-1972 records. Hearings before the Committee on the Judiciary House of Representatives, 92d Cong., 1st Sess. (1971) at 61-66.

4. MAGNETICS' POSITION—CONTRARY TO THE TENTH CIRCUIT DECISION—IS SUPPORTED BY THE LEADING COPYRIGHT AUTHORITY IN THE UNITED STATES.

The leading treatise on the subject of copyright is *Nimmer on Copyright*. With respect to the question presented in this case, Professor Nimmer concluded that:

> "Assuming such a record pirate duly serves a notice of intent to use, and pays the compulsory license royalties, the somewhat astounding result is that as to those sound recordings fixed prior to February 15, 1972, he is not an infringer under the Copyright Act. The only portion of that which he has recorded which is protectible under the Copyright Act, with respect to sound recordings fixed prior to February 15, 1972, is the musical composition itself, and that he is authorized to use for recording purposes upon payment of the statutory royalties. All of the other elements contained in the original record which he has without authority duplicated are not copyrightable, and hence his use of such other elements does not give rise to an action for copyright infringement." *Nimmer on Copyright*, § 108.4621, p. 432.

With respect to the statutory construction referred to in the *Duchess* case and followed by the Tenth Circuit in this case, Professor Nimmer concluded:

> "This position appears to be both tenuous in terms of statutory language and contrary to expressed legislative intent." *Nimmer on Copyright*, §108.4621, p. 433.

With respect to the decision in the case of *Aeolian Co. v. Royal Music Roll Co., supra*, relied on by the Tenth Circuit, Professor Nimmer concluded:

"The Aeolian decision seems most questionable both *because it recognized a cause of action in a mere licensee* of the copyright owner (the original manufacturer), and because it in effect recognized a right of copyright in a recording without statutory justification and contrary to the expressed legislative intent." *Nimmer on Copyright*, §108.4621, p. 433.

Finally, with respect to the decision in the *Duchess* case, Professor Nimmer concluded:

"It seems likely that the Courts of Appeals in some of the other Circuits will not follow the *Duchess* decision." *Nimmer on Copyright*, §108.4621, p. 432.

CONCLUSION

For the reasons stated above the Petitioners, MAGNETICS, request that this Court issue a Writ of Certiorari in this case.

Respectfully submitted,

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APPENDIX A

Title 17, United States Code:

§1. Exclusive rights as to copyrighted works

Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right:

* * * * * *

(e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: *Provided*, That the provisions of this title, so far as they secure copyright controlling the parts of instruments serving to reproduce mechanically the musical work, shall include only compositions published and copyrighted after July 1, 1909, and shall not include the works of a foreign author or composer unless the foreign state or nation of which such author or composer is a citizen or subject grants, either by treaty, convention, agreement, or law, to citizens of the United States similar rights. And as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof; and the copyright proprietor may require, and if so the manufacturer shall furnish, a report under oath on the 20th day of each month on

the number of parts of instruments manufactured during the previous month serving to reproduce mechanically said musical work, and royalties shall be due on the parts manufactured during any month upon the 20th of the next succeeding month. The payment of the royalty provided for by this section shall free the articles or devices for which such royalty has been paid from further contribution to the copyright except in case of public performance for profit. It shall be the duty of the copyright owner, if he uses the musical composition himself for the manufacture of parts of instruments serving to reproduce mechanically the musical work, or licenses others to do so, to file notice thereof, accompanied by a recording fee, in the copyright office, and any failure to file such notice shall be a complete defense to any suit, action, or proceeding for any infringement of such copyright.

In case of failure of such manufacturer to pay to the copyright proprietor within thirty days after demand in writing the full sum of royalties due at said rate at the date of such demand, the court may award taxable costs to the plaintiff and a reasonable counsel fee, and the court may, in its discretion, enter judgment therein for any sum in addition over the amount found to be due as royalty in accordance with the terms of this title, not exceeding three times such amount.

The reproduction or rendition of a musical composition by or upon coin-operated machines shall not be deemed a public performance for profit unless a fee is charged for admission to the place where such reproduction or rendition occurs. July 30, 1947, c. 391, § 1, 61 Stat. 652; July 17, 1952, c. 923, § 1, 66 Stat. 752.

APPENDIX B

§ 26. Terms defined

In the interpretation and construction of this title "the date of publication" shall in the case of a work of which copies are reproduced for sale or distribution be held to be the earliest date when copies of the first authorized edition were placed on sale, sold, or publicly distributed by the proprietor of the copyright or under his authority, and the word "author" shall include an employer in the case of works made for hire.

For the purposes of this section and sections 10, 11, 13, 14, 21, 101, 106, 109, 209, 215, but not for any other purpose, a reproduction of a work described in subsection 5(n) shall be considered to be a copy thereof. "Sound recordings" are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture. "Reproductions of sound recordings" are material objects in which sounds other than those accompanying a motion picture are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device, and include the "parts of instruments serving to reproduce mechanically the musical work," "mechanical reproductions," and "interchangeable parts, such as discs or tapes for use in mechanical music-producing machines" referred to in sections 1(e) and 101(e) of this title.
As amended Oct. 15, 1971, Pub.L. 92-140, § 1(e), 85 Stat. 391.

APPENDIX C

§ 101. Infringement

If any person shall infringe the copyright in any work protected under the copyright laws of the United States such person shall be liable:

* * * * * *

(e) Interchangeable parts for use in mechanical music-producing machines.—Interchangeable parts, such as discs or tapes for use in mechanical music-producing machines adapted to reproduce copyrighted musical works, shall be considered copies of the copyrighted musical works which they serve to reproduce mechanically for the purposes of this section 101 and sections 106 and 109 of this title, and the unauthorized manufacture, use, or sale of such interchangeable parts shall constitute an infringement of the copyrighted work rendering the infringer liable in accordance with all provisions of this title dealing with infringements of copyright and, in a case of willful infringement for profit, to criminal prosecution pursuant to section 104 of this title. Whenever any person, in the absence of a license agreement, intends to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he shall serve notice of such intention, by registered mail, upon the copyright proprietor at his last address disclosed by the records of the copyright office, sending to the copyright office a duplicate of such notice. As amended Oct. 15, 1971, Pub.L. 92-140, § 2, 85 Stat. 392.

APPENDIX D

§ 104. Willful infringement for profit

Any person who willfully and for profit shall infringe any copyright secured by this title, or who shall knowingly and willfully aid or abet such infringement, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment for not exceeding one year or by a fine of not less than $100 nor more than $1,000, or both, in the discretion of the court; *Provided, however,* That nothing in this title shall be so construed as to prevent the performance of religious or secular works such as oratorios, cantatas, masses, or octavo choruses by public schools, church choirs, or vocal societies, rented, borrowed, or obtained from some public library, public school, church choir, school choir, or vocal society, provided the performance is given for charitable or educational purposes and not for profit. July 30, 1947, c. 391, § 1, 61 Stat. 652.

APPENDIX E

MAY TERM—JUNE 10, 1974

Before The Honorable David T. Lewis, Chief Judge, The Honorable Delmas C. Hill, The Honorable Oliver Seth, The Honorable William J. Holloway, Jr., The Honorable Robert H. McWilliams, The Honorable James E. Barrett and The Honorable William E. Doyle, Circuit Judges

EDWARD B. MARKS MUSIC CORPORATION,	)	
Plaintiff-Appellant,	)	
vs.	)	No. 73-1395
COLORADO MAGNETICS, INC., d/b/a SOUND VALUES, INC., SOUND VALUES MARKETING CORP., and MAGNETIC RECORDERS CORP.; RANDY SHERMAN, HARRY CUMMINGS, JR., and JOHN and MARY DOES 1-10,	)	
Defendants-Appellees.	)	

This matter comes on for consideration of appellee's motion for stay of mandate pending application for a petition of writ of certiorari, and the Response to appellees' motion for stay of mandate, as well as Colorado Magnetics Answer to Marks Response to the Motion for Stay of Mandate.

Upon consideration whereof, it is ordered that the mandate is stayed to and including July 10, 1974, pending the timely filing by appellees of a petition for writ of certiorari in the Supreme Court of the United States. If, on

or before that date, the Clerk of this Court shall receive notice from the Clerk of the Supreme Court of the United States that a timely petition for writ of certiorari has been filed in that Court, the stay of mandate shall continue until final disposition by the Supreme Court.

HOWARD K. PHILLIPS
Clerk

s/ By: Robert L. Hoecker
Robert L. Hoecker
Clerk

APPENDIX F

MAY TERM—MAY 28, 1974

Before The Honorable David T. Lewis, Chief Judge, The Honorable Delmas C. Hill, The Honorable Oliver Seth, The Honorable William J. Holloway, Jr., The Honorable Robert H. McWilliams, The Honorable James E. Barrett and The Honorable William E. Doyle, Circuit Judges

EDWARD B. MARKS MUSIC CORPORATION,	)	
Plaintiff-Appellant,	)	
vs.	)	No. 73-1395
COLORADO MAGNETICS, INC., d/b/a SOUND VALUES, INC., SOUND VALUES MARKETING CORP., and MAGNETIC RECORDERS CORP.; RANDY SHERMAN, HARRY CUMMINGS, JR., and JOHN and MARY DOES 1-10,	)	
Defendants-Appellees.	)	

[APPENDIX]

This cause came on to be heard on the record on appeal from the United States District Court for the Western District of Oklahoma, and was argued by co- nsel before The Honorable David T. Lewis, Chief Judg The Honorable Alfred P. Murrah, Senior Circuit Judge and The Honorable Robert H. McWilliams, Circuit Judge.

Thereafter, a petition for rehearing en banc was granted. Judge Murrah, a member of the three judge panel which originally heard this case, recused on the en banc rehearing, and the case was again argued by counsel to the Court en banc.

On consideration whereof, it is ordered that the judgment of the trial court is hereby reversed and the cause remanded to the United States District Court for the Western District of Oklahoma with directions that it enter judgment for Marks on the "issue of liability." Subsequent proceedings to determine the relief to which Marks is entitled should be consonant with the views expressed in the majority opinion of this Court.

Judge McWilliams, upon rehearing en banc, adheres to the majority opinion as heretofore filed on February 28, 1974, and Judges Hill, Seth, Barrett and Doyle now concur in that opinion. Chief Judge Lewis, on rehearing en banc, adheres to his dissent, and Judge Holloway now joins in that dissent.

s/ Howard K. Phillips
HOWARD K. PHILLIPS
Clerk

[APPENDIX]

FILED
MAY 28 1974
HOWARD K. PHILLIPS
Clerk, United States
Court of Appeals
Tenth Circuit

No. 73-1395, EDWARD B. MARKS MUSIC CORPORATION v. COLORADO MAGNETICS, et al.

LEWIS, Chief Judge, dissenting:

I am in complete accord with the views of Judge Lacey set forth in Jondora Music Publishing Co. v. Melody Recordings, Inc., D.C.N.J., 351 F.Supp. 572, and of Judge Byrne, dissenting in Duchess Music Corp. v. Stern, 9 Cir., 458 F.2d 1305, *cert. denied*, 409 U.S. 847. A similar conclusion has recently been reached by a Wisconsin state court. *See* Mercury Recording Productions, Inc. v. Economic Consultants, Inc., 42 L.W. 2406 (Wis. Cir. Ct. Feb. 12, 1974).

I would affirm on this aspect of the case only.

NO. 73-1395, EDWARD B. MARKS MUSIC CORPORATION v. COLORADO MAGNETICS, INC., et al.

ON REHEARING, EN BANC:

Judge Murrah, a member of the three-judge panel which first heard this case, recuses on rehearing en banc. Judge McWilliams, upon rehearing en banc, adheres to the majority opinion as heretofore filed on February 28, 1974, and Judges Hill, Seth, Barrett and Doyle now concur in that opinion. Chief Judge Lewis, on rehearing en banc, adheres to his dissent, and Judge Holloway now joins in that dissent.

—x—

APPENDIX G

April 19, 1974

Simon H. Rifkind, Esq.
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Oklahoma City, Oklahoma

Re: No. 73-1395, Edward B. Marks Music Corp., v. Colorado Magnetics, et al.

Dear Counsel:

The Court has granted the petition for rehearing and the captioned case has been set for argument before the En Banc Panel on Wednesday, May 15, 1974 at 2:00 P.M. in Oklahoma City, Oklahoma.

Very truly yours,
HOWARD K. PHILLIPS
Clerk

By:
Robert L. Hoecker
Clerk

mas

[APPENDIX]

GENERAL DOCKET

UNITED STATES COURT OF APPEALS
FOR THE CIRCUIT

CASE NO. 73-1395

Edward B. Marks Music Corp. v. Colorado Magnetics, et al.

DATE	FILINGS—PROCEEDINGS	FILED
*	* * * * * *	
3/19/74	Order—Petition for rehearing GRANTED	
*	* * * * * *	

APPENDIX H

JANUARY TERM—FEBRUARY 28, 1974

Before Honorable David T. Lewis, Chief Judge, Honorable Alfred P. Murrah, Senior Circuit Judge, and Honorable Robert H. McWilliams, Circuit Judge

EDWARD B. MARKS MUSIC CORPORATION,

Plaintiff-Appellant,

v.

No. 73-1395

COLORADO MAGNETICS, INC., d/b/a SOUND VALUES, INC., SOUND VALUES MARKETING CORP., and MAGNETIC RECORDERS CORP.; RANDY SHERMAN, HARRY CUMMINGS, JR., and JOHN and MARY DOES 1-10,

Defendants-Appellees.

This cause came on to be heard on the record on appeal from the United States District Court for the Western District of Oklahoma, and was argued by counsel.

On consideration whereof, it is ordered that the judgment of the trial court is hereby reversed and the cause remanded to the United States District Court for the Western District of Oklahoma with directions that it enter judgment for Marks on the "issue of liability." Subsequent proceedings to determine the relief to which Marks is entitled should be consonant with the views expressed in the majority opinion of this Court. Lewis, Chief Judge, dissenting.

HOWARD K. PHILLIPS,
Clerk

s/ By: Lavon M. Irlbeck
Lavon M. Irlbeck,
Deputy Clerk

[APPENDIX]

FILED
FEB 28 1974
HOWARD K. PHILLIPS
Clerk, United States
Court of Appeals
Tenth Circuit

PUBLISH

UNITED STATES COURT OF APPEALS
TENTH CIRCUIT

No. 73-1395

EDWARD B. MARKS MUSIC CORPORATION, Plaintiff-Appellant, v. COLORADO MAGNETICS, INC., d/b/a SOUND VALUES, INC., SOUND VALUES MARKETING CORP., and MAGNETIC RECORDERS CORP., RANDY SHERMAN and HARRY CUMMINGS, JR., Defendants-Appellees.	Appeal from the United States District Court for the Western District of Oklahoma (D.C. No. 73-85-Civil)

Submitted: November 13, 1973

Simon H. Rifkind (James D. Fellers, Frank Gregory, Fellers, Snider, Baggett, Blankenship & Bailey; and of Counsel, John C. Taylor, III, Stuart Robinowitz, Sidney S. Rosdeitcher, Steven B. Rosenfeld, Paul, Weiss, Rifkind, Wharton & Garrison, Robert C. Osterberg, John S. Clark, Abeles,

[APPENDIX]

Clark & Osterberg, Charles B. Lutz, Jr., Speck, Philben & Fleig, on the brief), for Plaintiff-Appellant.

Jerry J. Dunlap (Charles A. Codding, Dunlap, Laney, Hessin & Dougherty, on the brief), for Defendants-Appellees.

Before LEWIS, Chief Judge, and MURRAH and McWILLIAMS, Circuit Judges.

McWILLIAMS, Circuit Judge.

This is a so-called tape piracy case. Edward B. Marks Music Corporation, hereinafter referred to as Marks, is an independent music publisher and, as such, is the owner of copyrights in numerous musical compositions. Marks, through its licensing agent, the Harry L. Fox Agency, Inc., has authorized various record companies to make recordings of compositions in which it, Marks, owns the copyright. The recording companies thus licensed by Marks to reproduce or record its copyrighted musical compositions have hired artists who have made recordings of the musical compositions here involved. Such recordings are then offered for sale to the general public.

Colorado Magnetics, Inc., hereinafter referred to as Magnetics, with no authorization from Marks, has also made recordings of musical compositions in which Marks owns the copyrights and has offered its recordings for sale to the general public at a price well below the retail price of the recordings produced by those recording companies licensed by Marks to record its copyright compositions. Magnetics' modus operandi is to first purchase on the open market individual "hit" records thus made by those recording companies licensed by Marks to use its copyright compositions. Magnetics then duplicates or copies the recording with its own sound equipment on magnetic tape and offers for sale to the general public its duplicated or copied cassette tape recordings. Magnetics, of course, is able to under-

sell because, by simply copying the records made by others, it avoids the considerable expense incurred by the licensed recording companies in the hiring of arrangers, an orchestra, and the featured recording artists incident to their recordings.

It was in this general setting that Marks brought a copyright infringement action against Magnetics, seeking damages and injunctive relief. The gist of Marks' complaint is that Magnetics is making an unauthorized and unlawful use of musical compositions in which it, Marks, owns the copyrights. Magnetics, by answer, denied copyright infringement, and alleged that its use of Marks' copyrighted compositions is authorized by the so-called "compulsory license" provisions of the Copyright Law, namely, 17 U.S.C. §§ 1(e) and 101(e). Additionally, and alternatively, Magnetics alleged that Marks was guilty of certain antitrust violations which preclude it from enforcing its copyrights.

The case was initially set down for hearing on Marks' request for a preliminary injunction. However, before such hearing was held, the parties agreed that a hearing on the merits would be combined with the hearing on the preliminary injunction. Upon trial, the only witness called was the president of Marks. Additionally, four depositions were offered, and received into evidence, the two principal owners of Magnetics having been among those thus deposed. Also, considerable documentary material was offered, and received, without objection. And this was the extent of the evidentiary matter before the trial court.

At the conclusion of the trial, the trial court asked the respective parties to submit proposed findings and conclusions. This the parties did and the trial court elected to adopt, virtually without change, the findings and conclusions submitted by Magnetics, all of which, needless to say, resulted in a smashing victory on all fronts for Magnetics. In this regard, we note that the Supreme Court in United States v. El Paso Natural Gas Co., 376 U.S. 651 (1964),

observed that findings and conclusions prepared by counsel and adopted, more or less verbatim, by a trial court are less helpful on review than findings and conclusions drawn with the "insight of a disinterested mind." We agree.

In any event, the trial court specifically found that Magnetics in its use of Marks' copyrighted musical compositions did not infringe on Marks' copyrights and that Magnetics' duplication of records playing Marks' copyrighted compositions was authorized by the compulsory license provisions of 17 U.S.C. §§ 1(e) and 101(e). Alternatively, and additionally, the trial court went on to find that Marks was guilty of certain antitrust violations which precluded recovery; that because of its "misuse" of the copyrights in question Marks was estopped; and that Marks' "unclean hands" also barred recovery. In line with such findings and conclusions, the trial court dismissed the proceedings and awarded Magnetics its costs and attorneys' fees. The complete findings and conclusions of the trial court are reported in Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., 357 F.Supp. 280 (W.D. Okla. 1973). In this regard, we note that though the trial court made written findings and conclusions, it did not render, as such, an opinion. From such judgment Marks now appeals. We reverse.

COMPULSORY LICENSE

In our view, the central issue in this case relates to the compulsory license provisions of 17 U.S.C. §§ 1(e) and 101(e). If Magnetics' use of Marks' copyrighted compositions falls within the ambit of that particular statutory provision, then Marks' present action must fail. However, if Magnetics' activities are outside the bounds of that statute, then Marks, as the copyright owner, is entitled to relief.

Although prior to 1909 a composer could obtain a copyright on his musical composition, Congress in 1909 considerably extended the copyright interest of the composer to

the end that thereafter the copyright owner of a musical composition could himself control the mechanical reproduction of his composition.[1] At the same time, fearful that by permitting a musical composition to be thus copyrighted it was permitting an absolute monopoly,[2] Congress tacked on a proviso or exception to the statute authorizing the copyrighting of musical compositions. It is this proviso, which is a part of 17 U.S.C. § 1(e), with which we are here concerned. Such proviso reads as follows:

> Provided, . . . as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof; . . . .

As indicated, Magnetics claims that its use of Marks' copyrighted composition in its duplication of records made by others is authorized by the foregoing statutory provision, which provides for a so-called compulsory license, in lieu of an express license from the copyright owner. In this general regard, it should be noted that Magnetics did file a notice of intent as required by 17 U.S.C. § 101(e) and did

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[1] Act of March 4, 1909, Pub. L. No. 349, Chap. 320, 35 Stat. 1075; *codified at* 17 U.S.C. § 1(e). Congress felt this extension to have been necessary because the Supreme Court had held that perforated piano rolls and records were not "copies" of the composition which they reproduced. *White-Smith Music Publishing Co.* v. *Appollo Co.*, 209 U.S. 1 (1908). *See* 43 Cong. Rec. 3765-3767 (Mar. 3, 1909).

[2] *See* H.R. Rept. No. 2222, 60th Cong., 2d Sess. 7-8 (1909); *Shapiro, Bernstein & Co., Inc.* v. *Remington Records, Inc.*, 265 F.2d 263 (2d Cir. 1952). However, it has been suggested that the breadth of the contemporary record industry belies any concern over monopolistic power. Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 87th Cong., 1st Sess. (H.R. Comm. Print 1961).

make a tender, of sorts, of the 2 cent royalty called for in 17 U.S.C. § 1(e). Marks refused the tender, and then instituted the present proceeding. We need not here concern ourselves with whether the tender complied with the statute, as, in our view, Magnetics' use of Marks' copyrighted compositions necessarily involved in its duplication or copying of the records of others, who are themselves licensed by Marks to record, finds no sanction in 17 U.S.C. § 1(e).

At the outset, we note that we are here concerned with a proviso or exception to the statute vesting a copyright interest in the composer of a musical composition and granting him the exclusive right to determine the use to be made of his copyrighted composition. In this regard, it is the general rule that a proviso should be strictly construed to the end that an exception does not devour the general policy which a law may embody. Shilkret v. Musicraft Records, Inc., 131 F.2d 929 (2d Cir. 1942), *cert. denied*, 319 U.S. 742 (1943).[3]

As we read the statutory provisions here under consideration, one who owns the copyright in a musical composition has, in the first instance at least, absolute control over who records his composition. He may elect not to allow anyone to record his composition. However, when the composer elects to license another to "use . . . the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work," then the compulsory license provisions of the statute may be invoked. Specifically, the statute provides that once the composer has licensed another to reproduce by recording the composer's composition, then, upon payment of the statutory royalty, ". . . any other person may make similar use of the copyrighted work. . . ." This means, to us, that one who complies with royalty payment called for by the statute, though not hav-

[3] Nor will we at the same time permit such a general policy to be obscured by "drastic technological changes" that have arisen since the enactment of the statute. *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968).

ing any authorization from the copyright owner, may nonetheless then "use," not a third party's record, but the copyrighted composition, which has been characterized as the "raw material," in a manner "similar" to that employed by the recording company which did have authorization from the copyright owner. There is, of course, nothing in the statute which affirmatively authorizes Magnetics to duplicate and copy the recording of one licensed by the copyright owner to reproduce his composition. However, under the statute Magnetics may "use" the copyright composition in a manner "similar" to that made by the licensed recording company. All of which means, to us, that Magnetics may make its own arrangements, hire its own musicians and artists, and then record. It does not mean that Magnetics may use the composer's copyrighted work by duplicating and copying the record of a licensed recording company. Such, in our view, is not a *similar* use.

In thus construing the statute, we believe that the legislative history of these particular statutory provisions, from 1909 down to the amendments enacted in 1971, is conflicting and indecisive. More will be said later about the 1971 amendment. We further are aware that the decisions of the several federal district courts which have been faced with this particular question are in conflict. *See*, for example, Fame Publishing Co., Inc. v. S & S Distributors, Inc., 177 U.S.P.Q. 358 (N.D. Ala. 1973), where that court held that a compulsory licensee under 17 U.S.C. § 1(e) acquired no right to duplicate or copy the recordings of another and that one who seeks to rely on the compulsory license provisions of 17 U.S.C. § 1(e) "must hire some musicians, take them into a studio and make his own recording." For a contrary view, *see* Jondora Music Publishing Co. v. Melody Recordings, Inc., 351 F.Supp. 572 (D.N.J. 1972), where that court held that the Copyright Act of 1909 did *not* grant to the musical composition copyright holder the power to prevent third persons from copying a particular performance of his composition where (a) with the

copyright holder's permission a performance has already been fixed on a physical object capable of reproducing it, and (b) the third person has complied with the compulsory license provisions of the Act by filing and servicing notices of intention and paying statutory royalties to the copyright owner.

The only Circuit Court faced with this precise problem is the Ninth. Duchess Music Corporation v. Stern, 458 F.2d 1305 (9th Cir. 1972), *pet. for rehearing and rehearing en banc denied* April 26, 1972, cert. denied, 409 U.S. 847 (1972), about which more will be said later. And of course the Supreme Court has not yet passed on this particular issue. In our view, the recent case of Goldstein v. California, 412 U.S. 546 (1973), is not decisive of the present appeal. In *Goldstein*, the Court was concerned with the relationship between federal copyright law prior to the 1971 amendments and a California statute prohibiting the "piracy" of sound recordings by copying without permission of the recording company. The nature and extent of the interest of one having a copyright in a musical composition was not there considered.

As indicated, the Ninth Circuit has considered the meaning of 17 U.S.C. § 1(e). Duchess Music Corporation v. Stern, *supra*. There was a strong dissent in *Duchess*. So, the majority opinion and the dissent in *Duchess* represent quite well the competing points of view on the meaning of 17 U.S.C. § 1(e). In *Duchess*, the majority held that the phrase "similar use" within the meaning of the Act of 1909 does not include the "right to copy" the recordings of others. We agree and are generally persuaded that the majority opinion in *Duchess* sets forth the proper interpretation of the statute.

As above indicated, in 1971 Congress amended the Copyright Law by making it possible for the first time to copyright the sound recording of a copyrighted composition, the effective date of this amendment being February 15,

1972. It is suggested that such amendment irrefutably indicates that Congress in 1971, at least, was of the view that the duplication or copying of sound recordings made prior to February 15, 1972, was lawful and in nowise inhibited by the Act of 1909. We do not think that such necessarily follows.

In the first place, we are of course not bound by Congress' interpretation of a prior existing law. Golsen v. C.I.R., 445 F.2d 985 (10th Cir. 1971), *cert. denied*, 404 U.S. 940 (1971). Indeed, whatever merit there may be in the practice of relying on the opinion of a later Congress as to the intent of an earlier one wanes with the length of time which separates the two sessions, which in the instant case was sixty-three years. United States v. Southwestern Cable Co., 392 U.S. 157 (1968). For an indication of the interpretation given the Act of 1909 by the judiciary shortly after its enactment, *see* Aeolian Co. v. Royal Music Roll Co., 196 F. 926 (W.D.N.H. 1912). In that case, it was held that § 1(e) of the Act providing that "any other person may make similar use of the copyrighted work" did not thereby secure the right to a subsequent user to "copy" the perforated piano rolls or records of another. The court then went on to declare that the would-be subsequent user could not avail himself of the skill and labor of the original manufacturer of the perforated roll or record by copying or duplicating the same, but had to resort to the copyrighted composition, and could not "pirate the work of a competitor who has made an original perforated roll."

Secondly, the 1971 amendment created a copyrightable interest in the recording itself, the amendment to be effective February 15, 1972. We are here concerned with the nature and extent of the copyrighted interest of the composer, not the recording company. Such distinction we believe to be fundamental. Accordingly, we are not here concerned, as such, with the record, and its copying, but with the original composition and the copyright interest therein.

This distinction we believe was indicated by us in Tape Head Company v. R.C.A. Corporation, 452 F.2d 816 (10th Cir. 1971). There, it was suggested by counsel that the 1971 amendment manifested an intention to grant persons situated as is Magnetics in the instant case a "carte blanche" to copy records made prior to February 15, 1972, free from any restriction, which in that case referred to state restrictions. In this general connection, however, we went on to say in *Tape Head* that "it is highly questionable from the authorities presented that the plaintiffs have, as a result of the Act of Congress, acquired a right to convert and use these recordings with impunity prior to February 15, 1972." It is on this basis, then, that we are of the view that the 1971 amendment does not control the instant controversy.

ANTITRUST

As indicated, the trial court found, alternatively, that even if Marks had the right to maintain an infringement action, it was barred from obtaining any relief because of its own misconduct, particularly as concerns alleged antitrust violations. Assuming *arguendo* that an antitrust violation is a defense in a copyright infringement action, the record made in the trial court simply does not support its findings and conclusions. The evidentiary matter on this phase of the controversy is just too sketchy to support the trial court's drastic and far-reaching findings of antitrust violations. Only certain aspects of this particular phase of the case need comment.

One finding of the trial court was that Marks was precluded from any recovery because it, along with the Harry L. Fox Agency, Inc., and others, had conspired to bring the present proceeding in an effort to stifle competition. This particular finding is pretty well undermined by the interpretation we have above given 17 U.S.C. § 1(e). In any event, in California Motor Transport Co. v. Trucking Unlimited, 404 U.S. 508 (1972), it was held that groups with

common interests may, without violating the antitrust laws, use federal agencies and the courts to advocate their causes respecting resolution of their business and economic interests as opposed to their competitors. We recognize that in *Trucking Unlimited* the case was remanded to the trial court for, among other purposes, a factual determination as to whether the resort to the California regulatory agency was but a "mere sham" within the meaning of Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127 (1961). In the instant case, however, any suggestion of sham or bad faith on the part of Marks disappears in view of our determination that Marks in fact and in law has an enforceable copyrighted interest in its compositions. So, as we said in Semke v. Enid Automobile Dealers Ass'n., 456 F.2d 1361 (10th Cir. 1972), the utilization of the courts in a manner which is in accordance with the spirit of the law continues to be exempt from the antitrust laws. *See also* Alberto-Culver Company v. Andrea Dumon, Inc., 466 F.2d 705 (7th Cir. 1972), where it was held that a good faith effort to enforce one's copyright is not the type of exclusionary conduct condemned by § 2 of the Sherman Act.

The trial court also found that Marks was estopped from obtaining relief because of its misuse of its copyrights as concerns its pricing policies and the like. In this regard, it is argued that Ampex, for example, is a compulsory licensee and is duplicating and copying records in a manner similar to Magnetics. We do not agree that Magnetics is in a similar position to that of Ampex. Ampex has been duplicating and copying, not the recordings of the licensed recording companies, but the master tapes of the recording companies, all with the latter's permission and for a fee and with the consent of Marks, the copyright owner. *See* in this latter regard Colorado Pump & Supply Co. v. Febco, Inc., 472 F.2d 637 (10th Cir. 1973), where we recognized the right of a manufacturer to select the customers to whom he will sell so long as his conduct has no monopolistic or market control purposes.

Permeating the entire "antitrust" argument of Magnetics is the belief that Marks comes into court with unclean hands to the end that it is precluded from obtaining equitable relief. The record in our view does not support this position. In this regard, the following language from Alfred Bell & Co. v. Catalda Fine Arts, Inc., 191 F.2d 99 (2d Cir. 1951), is deemed appropriate:

> . . . We have here a conflict of policies: (a) that of preventing piracy of copyrighted matter and (b) that of enforcing the antitrust laws. We must balance the two, taking into account the comparative innocence or guilt of the parties, the moral character of their respective acts, the extent of the harm to the public interest, the penalty inflicted on the plaintiff if we deny it relief. As the defendants' piracy is unmistakably clear, while the plaintiffs' infraction of the antitrust laws is doubtful and at most marginal, we think the enforcement of the first policy should outweigh enforcement of the second.

In this same general connection, *see also* Hoehn v. Crews, 144 F.2d 665 (10th Cir. 1944), *aff'd sub nom*, Garber v. Crews, 324 U.S. 200 (1945), where it was noted that it is not required that one who would seek equity must himself possess "spotless hands" and that it is not "every stain" that will bar one from equitable relief.

Applying the rationale of such cases as *Alfred Bell & Co.* and *Hoehn*, we conclude that Marks is not precluded from relief because of any possible misconduct on its part. The long and short of this entire matter is that Marks owns a copyright to certain musical compositions and Magnetics seeks to use Marks' property right without Marks' consent and, in our view, in a manner not authorized by the compulsory license provisions of 17 U.S.C. § 1(e).

As is reflected in the trial court's decision in Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., *supra*, the "issue of liability" was separated for trial purposes. On the

record before it, the trial court erred in entering judgment for Magnetics. Under the circumstances, it should have entered judgment for Marks. Accordingly, the judgment of *the trial court is hereby reversed and the cause remanded* with directions that it enter judgment for Marks on the "issue of liability." Subsequent proceedings to determine the relief to which Marks is entitled should be consonant with the views herein expressed.

No. 73-1395, EDWARD B. MARKS MUSIC CORPORATION v. COLORADO MAGNETICS, INC., et al.

LEWIS, Chief Judge, dissenting:

I am in complete accord with the views of Judge Lacey set forth in Jondora Music Publishing Co. v. Melody Recordings, Inc., D.C. N.J., 351 F. Supp. 572, and of Judge Byrne, dissenting in Duchess Music Corp. v. Stern, 9 Cir., 458 F.2d 1305, *cert. denied*, 409 U.S. 847. A similar conclusion has recently been reached by a Wisconsin state court. *See* Mercury Recording Productions, Inc. v. Economic Consultants, Inc., 42 L.W. 2406 (Wis. Cir. Ct. Feb. 12, 1974). I would affirm.

APPENDIX I

FILED
APR 25 1973
Rex B. Hawks
Clerk, U. S. District Court
By .....
Deputy

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

EDWARD B. MARKS MUSIC CORPORATION,	)	
Plaintiff,	)	
vs.	)	Civil Action
COLORADO MAGNETICS, INC., doing business as SOUND VALUES, INC., SOUND VALUES MARKETING CORP. and MAGNETIC RECORDERS CORP., RANDY SHERMAN, HARRY CUMMINGS, JR., and JOHN and MARY DOES 1-10,	)	No. 73-85-C
Defendants.	)	

NOTICE OF APPEAL

Notice is hereby given that Edward B. Marks Music Corporation, plaintiff above named, hereby appeals to the United States Court of Appeals for the Tenth Circuit from

the final judgment entered in this action on the 18th day of April, 1973.

DATED this 25th day of April, 1973.

s/ Charles B. Lutz, Jr.

---

t/ Charles B. Lutz, Jr.
Speck, Philbin & Fleig, Attorneys, Inc.
Suite 1801 City National Bank Tower
Oklahoma City, Oklahoma 73102
Attorneys for Plaintiff

OF COUNSEL:

Abeles, Clark & Osterberg
of New York City

[APPENDIX]

FILED
MAY 18 1973
Rex B. Hawks
Clerk, U. S. District Court
By (Illegible)
Deputy

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

EDWARD B. MARKS MUSIC CORPORATION,	)	
Plaintiff,	)	
v.	)	No. CIV-73-85-C
COLORADO MAGNETICS, INC., d/b/a SOUND VALUES, INC., SOUND VALUES MARKETING CORP., and MAGNETIC RECORDERS CORP., RANDY SHERMAN, HARRY CUMMINGS, JR., and JOHN and MARY DOES 1-10,	)	
Defendants.	)	

AMENDED NOTICE OF APPEAL

Edward B. Marks Music Corporation, a corporation organized and existing under the laws of the State of New York, plaintiff in the above entitled proceeding, in order to clarify its position and to avoid possible misunderstanding, hereby files this Amended Notice of Appeal to the United States Court of Appeals for the Tenth Circuit, said appeal being from the Final Judgment entered in this action on the 18th day of April, 1973 and from the Order entered in this action on the 9th day of May, 1973 denying Plaintiff's

Motion for a New Trial and Motion to Amend Findings of *Fact and Conclusions of Law and Motion for Rehearing* and Reconsideration of Findings of Fact, Conclusions of Law and Judgment.

Dated at Oklahoma City, Oklahoma, May 18, 1973.

s/ James D. Fellers

t/ James D. Fellers
Fellers, Snider, Baggett,
Blankenship & Bailey
2700 First National Center
Oklahoma City, Oklahoma 73102

s/ Charles B. Lutz, Jr.

t/ Charles B. Lutz, Jr.
Speck, Philbin & Fleig
Attorneys, Inc.
Suite 1801, City National
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APPENDIX J

FILED
APR 18 1973
Rex B. Hawks
Clerk, U. S. District Court
By Ruth T. Olsen
Deputy

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

EDWARD B. MARKS MUSIC CORPORATION,	)	
Plaintiff,	)	
v.	)	No. CIV-73-85-C
COLORADO MAGNETICS, INC., d/b/a SOUND VALUES, INC., SOUND VALUES MARKETING CORP., and MAGNETIC RECORDERS CORP., RANDY SHERMAN, HARRY CUMMINGS, JR., and JOHN and MARY DOES 1-10,	)	
Defendants.	)	

FINAL JUDGMENT

The case came on for trial on March 16, 1973 by the Court sitting without a jury, the parties appearing in person and by counsel. The Court, inter alia, heard and considered the oral testimony of the witnesses and the Court read and considered the exhibits presented at the trial, all deposition testimony and exhibits, and the briefs of the parties. Subse-

quent to the trial of the case, the Court has made findings of fact and reached conclusions of law, and based upon such findings and conclusions, it is now hereby ORDERED, ADJUDGED AND DECREED as follows:

1. The Court has jurisdiction of the parties, and the subject matter of the action.

2. The Defendants, Randy Sherman, Harry Cummings, Jr. and Colorado Magnetics, Inc., have not infringed any of the Plaintiff's copyrighted musical compositions in suit.[1]

3. The acts of the Defendants, Randy Sherman, Harry Cummings, Jr. and Colorado Magnetics, Inc., in reproducing sound recordings containing the Plaintiff's copyrighted musical compositions in suit are within and in accordance with the compulsory license provision of the Copyright Law [17 U.S.C. §§1(e), 101(e)].

4. The Plaintiff is estopped to deny the acts of the Defendants, Randy Sherman, Harry Cummings, Jr. and Colorado Magnetics, Inc., are within the compulsory license provision of the Copyright Law [17 U.S.C. §§1(e), 101(e)] by virtue of the Plaintiff's conduct in licensing others to duplicate sound recordings previously manufactured and sold by third parties under the compulsory license provision of the Copyright Law [17 U.S.C. §§1(e), 101(e)].

5. The Plaintiff has misused the copyrighted musical compositions in suit and come into the Court with unclean hands.

6. The action is dismissed with prejudice.

---

[1] The musical compositions in suit are specifically identified on the attached Exhibit A.

7. The Defendants are awarded costs and all disbursements incurred in this case, including their attorneys fees, which shall be determined at a subsequent hearing.

Dated this 19th day of April, 1973.

s/ Stephen S. Chandler

United States District Judge

ENTERED IN JUDGMENT DOCKET ON
ADELAIDE HOLSTON, DEPUTY APR 18
1973

EXHIBIT A

Title	*Authors*	*Registration Identification*
God Bless The Child	Billie Holliday Arthur Herzog, Jr.	Jul. 23, 1941 E pub. 96565 Jul. 30, 1968 R 440611
Wonderful, Wonderful	Sherman Edwards Ben Raleigh	Nov. 9, 1956 Eu 456070
If You Go Away	Rod McKuen	Jun. 10, 1966 Ep 218782
Malaguena (from Andalucia—Suite Espanola)	Ernesto Lecuona	Jan. 8, 1929 E For. 1839 Nov. 2, 1955 R 158475
More (Theme from Monda Cane)	N. Oliviero R. Ortolani Norman Newell	Sept. 3, 1963 Ep 178534 Mar. 24, 1969 Ef 33581
The Peanut Vendor (El Manisero)	Moses Simon Marion Sunshine L. Wolfe Gilbert Lawrence Kempton	Feb. 11, 1928 Exxc 683134 Mar. 21, 1955 R 146553 Aug. 21, 1930 E pub. 17364 Mar. 19, 1958 R 212811 Aug. 1, 1947 E pub. 15993 Dec. 11, 1959 R 247598

Title	*Authors*	*Registration Identification*
Ballad of Ira Hayes	Peter La Farge	Mar. 21, 1962 Eu 712768
Quireme Mucho	Gonzalo Roig Jack Sherr	June 18, 1931 E pub. 23572 Sept. 30, 1958 R 221862 Oct. 14, 1937 E pub. 64699 Oct. 14, 1964 R 346365
Theme from Mr. Broadway Jazz Impressions of New York	David Brubeck Garson Kanin Howard Brubeck	Groton Music Inc. Mar. 1, 1965 Ep 197252 (Rights under copyright assig to Plaintiff, Nov. 20, 1961)
A Man, A Horse and A Gun (Un Uomo, Un Cavallo, Una Pistola)	Stelvio Cipriani	Editioni Musicali C.A.M. S.p.a. Eu 79197 Oct. 11, 1968 (Rights under copyright assigned to Plaintiff Mar., 1966)
There'll Be Some Changes Made	Billy Higgins Benton Overstreet Fletcher Henderson, Jr.	Sept. 16, 1921 Exxc. 519207 Sept. 20, 1948 R 38135

APPENDIX K

FILED
APR 18 1973
Rex B. Hawks
Clerk, U. S. District Court
By Ruth T. Olsen
Deputy

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

EDWARD B. MARKS MUSIC CORPORATION,	)	
Plaintiff,	)	
v.	)	No. CIV-73-85-C
COLORADO MAGNETICS, INC., d/b/a SOUND VALUES, INC., SOUND VALUES MARKETING CORP., and MAGNETIC RECORDERS CORP., RANDY SHERMAN, HARRY CUMMINGS, JR., and JOHN and MARY DOES 1-10,	)	
Defendants.	)	

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Plaintiff having moved this Court for a Preliminary Injunction pursuant to Rule 65 of the Federal Rules of Civil Procedure, and said motion having come on to be heard before this Court on February 16, 1973, the Court, with the consent of the parties hereto ordered that the trial of the action on the merits be advanced and consolidated with the hearing of said application, the Court having granted, by Order dated March 15, 1973, the joint motion of the parties for an Order pursuant to Rule 42(a) of the

Federal Rules of Civil Procedure separating the trial of the issue of liability herein. And the Court having heard and considered the evidence, all deposition testimony and exhibits, and the briefs of the parties, finds the facts and states the conclusions of law as follows:

FINDINGS OF FACT

1. The Plaintiff Edward B. Marks Music Corporation (MARKS) is a New York corporation having its principal place of business in New York City, New York. Joseph Auslander was the President of MARKS at the time of filing of this suit and at all times material to this suit.

2. The Defendant Colorado Magnetics, Inc. (MAGNETICS) is a Colorado corporation and was domesticated in the State of Oklahoma in November of 1972. MAGNETICS has a place of business located in Oklahoma City, Oklahoma and has three tradenames: Sound Values, Inc.; Sound Values Marketing Corp.; and Magnetic Recorders, Inc., each of said tradenames being registered in the State of Oklahoma as a corporate tradename of Colorado Magnetics, Inc.

3. The Defendant Randy Sherman (Sherman) is an individual residing in Oklahoma City, Oklahoma and is the President of MAGNETICS.

4. The Defendant Harry Cummings, Jr. (Cummings) is an individual residing in Oklahoma City, Oklahoma and is the Secretary-Treasurer of MAGNETICS.

5. The Plaintiff has brought this lawsuit alleging the Defendants Sherman, Cummings and MAGNETICS have infringed certain of its copyrighted musical compositions. The Defendants have answered denying infringement and asserting affirmative defenses that the Defendants' use of the Plaintiff's musical compositions in suit is within the compulsory license provision of the Copyright Law and that the Plaintiff is estopped to deny the Defendants' use

is not within the compusory license provision of the Copyright Law, the Defendants further asserting that the Plaintiff's musical compositions in suit are unenforceable against the Defendants because of the Plaintiff's inequitable conduct, unclean hands and misuse of its musical compositions in suit.

6. MARKS is a music publisher and, in general, acquires title to various musical compositions from the respective authors/composers via assignments or agreements. MARKS then registers its claim to copyright or records its assignment of a claim to copyright in the various musical compositions. MARKS derives income via its ownership of the copyrights in the various musical compositions through such uses as recording uses, public performance uses and motion picture sound track uses.

7. This case involves MARKS' right to receive compensation for recording uses of the musical compositions controlled by it. When an individual or company desires to produce a sound recording utilizing musical compositions controlled by MARKS, the individual or company either negotiates with MARKS for a license or, in those instances where MARKS has previously acquiesced in the recording use of a particular musical composition, the individual or company desiring to use the musical compositions may serve notice of intention to use the musical compositions on MARKS in accordance with the compulsory license provision of the Copyright Law. In either event, MARKS receives what is referred to as a "mechanical royalty" for each recording use of its musical compositions from the licensees, either negotiated licenses or licenses obtained in accordance with the compulsory license provision of the Copyright Law.

8. MARKS introduced a considerable amount of background evidence relating to the performance of the recording artist, the costs incurred by some of the major recording

companies, such as CBS and RCA, for producing recordings of various musical compositions and the promotion efforts of these recording companies and the music publisher with respect to obtaining public acceptance of a particular musical composition or recording thereof. None of the Plaintiff's witnesses were able to testify from their own knowledge, nor was any evidence produced as to the recording or promotion costs incurred by their companies relating to recordings of the musical compositions in suit. However, all of this evidence was considered by the Court as background evidence in reaching the Court's determination of the legal and factual issues involved in this case.

9. The Plaintiff and the Defendants are not in competition, and neither the recording companies represented by the Plaintiff's witnesses, nor the performing artists are parties in the present case.

10. After acquiring control of the copyrights of the musical compositions in this case, MARKS licenses the right to record the musical compositions to various recording companies through a licensing agent, The Harry Fox Agency, Inc., along with some 3500 other music publishers. A number of licenses to various recording companies were introduced into evidence signed by a representative of The Harry Fox Agency, Inc. on behalf of MARKS. The license agreements between MARKS and the various recording companies show that MARKS has obtained a number of different licenses for the identical recording of the same musical composition. MARKS issues separate licenses for each album marketed by a recording company, even in those instances where the recording of a particular musical composition was released on earlier albums by the same recording company; the licenses are issued at various royalty rates; the royalty rates vary depending upon the licensed manufacturer; the retail selling prices of the recordings are specified in the license agreements; the marketing and distribution channels through which the record-

ings are to be made available to the public are frequently specified; and the particular packaging of the recording is frequently specified. The basis for calculating the royalty to be paid to MARKS is also varied, such as being based on recordings manufactured and sold; the recordings sold; and/or the recordings sold with a specified percentage allowance for returned recordings.

11. The Plaintiff has numerous licenses issued to Ampex Corp. for duplicating recordings containing musical compositions owned and controlled by the Plaintiff utilizing recordings previously manufactured and sold by other recording companies. The licenses issued to Ampex Corp. by the Plaintiff or its agent, The Harry Fox Agency, Inc., clearly state that the Plaintiff or its agent The Harry Fox Agency, Inc. has been advised that the Ampex Corp. wishes to use the musical compositions owned by the Plaintiff under the compulsory license provision of the Copyright Law upon parts of instruments serving to reproduce mechanically the copyrighted work, and that upon doing so, the Ampex Corp. shall have all the rights which are granted to, and all obligations which are imposed upon. users of the Plaintiff's copyrighted works under the compulsory license provision of the Copyright Law. These license agreements to the Ampex Corp., on their face, indicate that the Ampex Corp. is duplicating recordings previously manufactured and sold by other recording companies and, as far as the Plaintiff is concerned, the acts of the Ampex Corp. are identical with the acts of the Defendants in this lawsuit in manufacturing duplicate recordings of works previously recorded and sold by other recording companies. The Plaintiff has clearly recognized and continues to recognize the acts of the Ampex Corp. as being within the compulsory license provision of the Copyright Law.

12. The Defendants have invested a substantial sum of money in advertising, equipment and the leasing of adequate facilities to accommodate the Defendants' manufac-

turing facilities as evidenced by the various checks of the Defendants and the lease agreement of the Defendants introduced into evidence by the Plaintiff. The evidence and the testimony of Mr. Auslander clearly shows that the Plaintiff's descriptions and characterizations of the Defendants as engaged in "hit-and-run bootlegging" were erroneous and without any substantial factual basis reasonably supporting such conclusions. Mr. Auslander did not, in fact, possess any information nor was he informed of any facts reasonably supporting such statements and references made relative to the Defendants in this case. Mr. Auslander's sources of information and belief, according to his testimony, consisted of documents contained in the files of the Plaintiff's counsel (Abeles, Clark & Osterberg). These documents consisted of a Xerox copy of a letter having the date and addressee blanked out, but allegedly addressed to an informant and supposedly written by Sherman from Colorado Springs and a list attached to the letter. Sherman testified that the list was not the property of any of the named Defendants and no evidence was introduced tending to show that the list was that of Defendants.

13. Mr. Auslander testified that this lawsuit was financed from a contingency fund created and maintained by The Harry Fox Agency, Inc. from the percentages charged to each music publisher principal of The Harry Fox Agency, Inc. for the agency's services in licensing and enforcing the mechanical recording rights of the music publisher principals of The Harry Fox Agency, Inc.

14. The attorneys for The Harry Fox Agency, Inc. (Abeles, Clark & Osterberg) wrote to the Defendants in July, 1971, August, 1971, September, 1971, October, 1971, October, 1972 and January, 1973, accusing the Defendants of being engaged in the distribution of unauthorized recordings and threatening the Defendants with an infringement action and ex parte seizure of infringing articles and equipment.

15. The Plaintiff was represented during the discovery proceedings and at the trial in this case by the attorneys for The Harry Fox Agency, Inc. (Abeles, Clark & Osterberg and the letters of July, 1971, August, 1971, September, 1971, October, 1971, October, 1972 and January, 1973, were written by the law firm Abeles, Clark & Osterberg on behalf of its client The Harry Fox Agency, Inc. and these letters were introduced into evidence by the attorneys (Abeles, Clark & Osterberg) representing the Plaintiff.

16. Prior to the commencement of this suit, the Defendants made a good faith offer to cooperate with any music publisher in verifying the accounting of the Defendants' uses of musical compositions of the music publisher. In response, this lawsuit was instituted by the Plaintiff.

17. Mr. Auslander testified that he had not seen nor was he aware of the letter written to the attorneys (Abeles, Clark & Osterberg) representing the Plaintiff in the trial of this case wherein the Defendants offered to cooperate with any music publisher in verifying the accounting of MAGNETICS.

18. The Plaintiff, in combination with other music publishers, controls and licenses the right to record the copyrighted musical compositions owned or controlled by the Plaintiff and other music publishers via a common licensing agent, The Harry Fox Agency, Inc. The Plaintiff's conduct with respect to its copyrighted musical compositions, including the musical compositions in suit, involves:

a. The Plaintiff's licensing policies wherein the Plaintiff licenses the copyrighted musical compositions at different royalty rates and with different license provisions, including: terms fixing the maximum retail selling price of particular albums manufactured under license agreements with the Plaintiff; terms controlling the marketing and distribution channels through which the recordings

manufactured under licensing agreements with the Plaintiff are made available to the public; and terms conditioning the Plaintiff's license upon the licensee obtaining rights from third parties in uncopyrighted sound recordings.

b. The use of the combination of the Plaintiff and its licensing agent The Harry Fox Agency, Inc. in combination with the other music publishers pooling the control of the mechanical recording rights of the copyrighted musical compositions, including the musical compositions in suit, thereby substantially increasing and expanding the statutory copyright monopoly of the Plaintiff by virtue of the combination and not by virtue of the value or contribution represented by any one musical composition.

c. The use of the combination formed by the Plaintiff and its agent The Harry Fox Agency, Inc. and the use of the pooled monopoly power resulting from the combination for the purpose of instituting and financing this litigation from a common contingency fund accumulated via The Harry Fox Agency, Inc. from the mechanical royalties received on behalf of the music publishers represented by The Harry Fox Agency, Inc., including the Plaintiff, represents and dramatically illustrates the threatened destructive force resulting from the pooled combination of the mechanical rights in the copyrighted musical compositions.

d. The Plaintiff and its agent The Harry Fox Agency, Inc. have used the expansion of the copyright monopolies of the Plaintiff and other music publishers for the express purpose of destroying the business of the Defendants. This fact is dramatically illustrated by the Plaintiff's expressed intention to refuse mechanical royalties from the

Defendants regardless of the amount, and the Plaintiff's and Plaintiff's agent's total disregard for the Defendants' offer of cooperation in verifying the mechanical royalties paid by the Defendants.

e. The use of the combination of the Plaintiff and its agent The Harry Fox Agency, Inc. in combination with other music publishers, and the use of the resulting expansion of the Plaintiff's copyright monopoly, as a power for indiscriminately serving notices of infringements and demands of cease and desist upon individuals and companies without any substantial, good faith basis represents the Plaintiff's and its agent's, The Harry Fox Agency, Inc., use of the extension of the copyright monopoly to force compliance with its desires and to further its purposes for maintaining and increasing the extension of the copyright monopoly.

f. The Plaintiff's use of its copyright monopolies in combination with the copyright monopolies licensed via its agent The Harry Fox Agency, Inc. for instituting and financing this suit against the Defendants represents an attempt on the part of the Plaintiff and its agent The Harry Fox Agency, Inc. to prevent the Defendants from availing themselves of the compulsory license provision of the Copyright Law and in dictating the manufacturers who may avail themselves of the compulsory license provision of the Copyright Law.

19. The Defendants, Sherman and Cummings, began doing business in Colorado prior to the summer of 1971 under the business name "Combined Tape Services", but none of the activities of Sherman and Cummings prior to the summer of 1971 involved any of the musical compositions in suit nor any of the issues involved in this case.

20. MAGNETICS was formed in September, 1971. MAGNETICS purchases commercially available, uncopyrighted sound recordings and utilizes the purchased sound recordings to manufacture "master tapes", each master tape containing selected songs comprising a particular album desired. The master tapes are utilized to produce what is referred to as a "pancake", a tape containing a number of duplications of a particular master tape. The pancakes are then utilized to produce the individual albums for sale and distribution by MAGNETICS.

21. About September, 1971, MAGNETICS began doing business with a company named Magnitron, Inc., located in Oklahoma City, Oklahoma. During the existence of the business relationship between MAGNETICS and Magnitron, Magnitron selected certain musical compositions to be included on the albums of Magnitron and MAGNETICS manufactured master tapes containing the selected musical compositions and produced duplications of the musical compositions in the form of "pancakes" which were sold to Magnitron for its use in manufacturing albums for sale and distribution to the public by Magnitron.

22. During the business relation between MAGNETICS and Magnitron, it was the responsibility of Magnitron to file the Notices of Intention to Use and to pay the mechanical royalties to the various copyright owners for each of the musical compositions used in manufacturing the albums packaged and sold to the public by Magnitron.

23. Sherman testified that he personally observed Magnitron preparing various Notices of Intention to Use and monthly mechanical royalty reports for mailing to the various copyright owners. MAGNETICS, Sherman and Cummings were never given any reason to believe that all of the required Notices of Intention to Use and all of the mechanical royalties due to the various copyright owners were not served and paid by Magnitron for each of the

musical compositions, including the musical compositions involved in this suit.

24. A number of Magnitron's Notices of Intention to Use and royalty payment reports were produced from the files of MARKS.

25. After August, 1972, the business relationship between Magnitron and MAGNETICS was terminated and MAGNETICS began manufacturing and selling albums of musical compositions to the public via direct sales and mail order sales on its own behalf.

26. After August, 1972, MAGNETICS filed Notices of Intention to Use and tendered the monthly mechanical royalties to the various copyright owners in accordance with the compulsory license provision of the Copyright Law, including the Plaintiff's musical compositions in suit. Mr. Auslander, President of MARKS, testified that MARKS had received the Notices of Intention to Use and the monthly mechanical royalties from MAGNETICS for each of the musical compositions involved in this case. Mr. Auslander further testified that he knew of no reason to believe the monthly mechanical royalty reports submitted to MARKS by the Defendants were not correct.

27. Based on the documentary evidence, the testimony of Mr. Auslander, Sherman and Cummings, the Court concludes and specifically finds that the Defendants, in fact, have mailed the required Notices of Intention to Use and have, in good faith, tendered the monthly mechanical royalties to the Plaintiff for each and every musical composition involved in this suit in accordance and in compliance with the compulsory license provision of the Copyright Law.

28. The Defendants have maintained adequate records of their manufacture and sale of recordings using the musical compositions in suit in accordance with and in com-

pliance with the compulsory license provision of the Copyright Law.

29. The acts of the Defendants have not injured nor damaged the business of the Plaintiff in any manner. The only injury sustained by the Plaintiff, if any, appears to result from the action of the Plaintiff and its agent The Harry Fox Agency, Inc. in refusing to accept the monthly mechanical royalty payments tendered by the Defendants.

30. Mr. Auslander testified that the Plaintiff would not and had no intention of accepting any payments, regardless of the amount, tendered by the Defendants.

31. The actions and conduct of the Plaintiff and its agent The Harry Fox Agency, Inc., as evidenced by the correspondence between the Defendants and the Plaintiff's agent and the institution of this lawsuit immediately after receiving an offer from the Defendants to cooperate with any music publisher in verifying the Defendants' accounting of mechanical royalty payments, show a clear purpose on the part of the Plaintiff, its agent The Harry Fox Agency, Inc. and the other music publishers who combined with the Plaintiff to extend the copyright monopoly of the Plaintiff and the others combined with the Plaintiff operating via The Harry Fox Agency, Inc. to obtain control over and the exclusive right to determine the particular manufacturers who may avail themselves of the compulsory license provision of the Copyright Law contrary to the specific statutory language limiting the copyright owner's exclusive right to record to the first or initial authorized recording use of the copyright owner's musical compositions and thereafter making the musical compositions available by law to anyone complying with the compulsory license provision of the Copyright Law including the Defendants in this case.

32. The purpose of the Plaintiff, its agent The Harry Fox Agency, Inc. and those in combination with the Plain-

tiff licensing via the common agent The Harry Fox Agency, Inc. is to extend the copyright monopoly for the purpose of maintaining control over the maximum selling prices of products produced utilizing the copyrighted musical compositions, the packaging of the products produced utilizing the copyrighted musical compositions, the marketing and distribution channels of the record products produced by others utilizing the copyrighted musical compositions in an effort to restrain competition and limit the availability of the compulsory license provision of the Copyright Law.

33. The Court specifically finds that the Defendants have not infringed any of the Plaintiff's copyrighted musical compositions in suit.

CONCLUSIONS OF LAW

1. This Court has jurisdiction over the subject matter of this suit by virtue of Title 28 of the United States Code, Section 1338(a) and this action arises under an Act of Congress (the Copyright Law of the United States as codified in Title 17 of the United States Code).

2. The Defendants' manufacture of duplicate sound recordings is a use of the Plaintiff's musical compositions within the compulsory license provision of the Copyright Law [17 U.S.C. §§1(e), 101(e)].

3. The Defendants have complied with all provisions of the compulsory license provision of the Copyright Law [17 U.S.C. §§1(e), 101(e)].

4. The Defendants' Notices of Intention to Use and the Defendants' tendered payments of the statutory royalties for the Defendants' uses of the Plaintiff's copyrighted musical compositions in suit are in compliance with the compulsory license provision of the Copyright Law [17 U.S.C. §§1(e), 101(e)].

5. The Defendants have not infringed any of the Plaintiff's copyrighted musical compositions by selling or contributing to, participating in, or knowingly furthering the sale of sound recordings serving to reproduce mechanically the Plaintiff's copyrighted musical compositions in suit.

6. The Defendants have not infringed the Plaintiff's copyrighted musical compositions.

7. The Plaintiff is estopped from now contending that the acts of the Defendants are not within the compulsory license provision of the Copyright Law [17 U.S.C. §§1(e), 101(e)].

8. The Plaintiff has unlawfully extended and attempted to extend the Plaintiff's copyright monopoly in the musical compositions in suit and the Plaintiff has combined with its licensing agent The Harry Fox Agency, Inc. and other music publishers licensing through the same agent The Harry Fox Agency, Inc. for the purpose of licensing the Plaintiff's musical compositions in suit in violation of the Anti-Trust Laws of the United States [Sections 1 and 2 of the Sherman Act, 15 U.S.C. §§1, 2], and the Plaintiff has used its copyright monopoly in the musical compositions in suit in a manner constituting unclean hands and a misuse of the Plaintiff's copyrighted musical compositions in suit rendering the Plaintiff's copyrighted musical compositions unenforceable against the Defendants because, among other things:

a. The Plaintiff has agreed, combined and conspired with other music publishers via the common agent The Harry Fox Agency, Inc. in an attempt to deny the Defendants the rights provided via the compulsory license provision of the Copyright Law [17 U.S.C. §§1(e), 101(e)].

b. The Plaintiff has licensed various manufacturers to record the Plaintiff's musical compositions in

suit at discriminatory license rates and with discriminatory license provisions in violation of the Anti-Trust Laws of the United States, including: Sections 1 and 2 of the Sherman Act [15 U.S.C. §§1, 2].

c. The Plaintiff has limited its licenses for the use of its copyrighted musical compositions in a manner attempting to expand the Plaintiff's statutory copyright monopoly to control the sale and distribution channels of the products manufactured via the Plaintiff's licensees, the title of the copyrighted works, and the maximum retail selling price of the products manufactured via the Plaintiff's licensees.

d. The Plaintiff has combined with others via the common agent The Harry Fox Agency, Inc. to provide a contingency fund for the financing and controlling of this lawsuit for the purpose of destroying the business of the Defendants to substantially lessen competition with the Plaintiff's licensees and to maintain and further expand the Plaintiff's copyright monopoly to control the manufacturers which may avail themselves of the compulsory license provision of the Copyright Law.

e. The Plaintiff has combined with its licensing agent The Harry Fox Agency, Inc. in combination with the other music publishers pooling the control of the mechanical recording rights of the copyrighted musical compositions, including the musical compositions in suit, thereby substantially increasing and expanding the statutory copyright monopoly of the Plaintiff by virtue of the combination and not by virtue of the value or contribution represented by any one musical composition. The effect

of this pooling is in contravention to the overriding federal policy of the Anti-Trust Laws of the United States and is in derogation of the policy underlying the Copyright Laws of the United States, particularly where the potential force of the pooled monopoly power is brought to bear upon one individual business in an effort to suffocate that business for the purpose of furthering the purposes and feeding the pooled monopoly power.

f. The use of the combination of the Plaintiff and its agent The Harry Fox Agency, Inc. in combination with other music publishers, and the use of the resulting expansion of the Plaintiff's copyright monopoly, as a power for indiscriminately serving notices of infringements and demands of cease and desist upon individuals and companies without any substantial, good faith basis represents the Plaintiff's and its agent's, The Harry Fox Agency, Inc., use of the expansion of the copyright monopoly to force compliance with its desires and to further its purposes for maintaining and increasing the extension of the copyright monopoly is in contravention to the federal policies expressed via the Anti-Trust Laws of the United States.

The above conduct of the Plaintiff runs counter to the overriding federal policy expressed via the Anti-Trust Laws of the United States, including Sections 1 and 2 of the Sherman Act [15 U.S.C. §§1, 2], in many instances constituting conduct denounced as per se violations of the Anti-Trust Laws of the United States, including Sections 1 and 2 of the Sherman Act [15 U.S.C. §§1, 2], and the Plaintiff's conduct most definitely constitutes an abuse and a misuse of the Plaintiff's copyright monopoly rendering the Plaintiff's copyright monopoly in the musical compositions in suit unenforceable against the Defendants.

9. The Plaintiff's conduct and the conduct of the Plaintiff's agent The Harry Fox Agency, Inc. on behalf of the Plaintiff in refusing the mechanical royalties tendered by the Defendants, and the Plaintiff's conduct in using its copyright monopoly for the purpose of advancing unfounded accusations of copyright infringement and threats of infringement litigation, coupled with the total lack of any effort on the part of the Plaintiff to substantiate or affirm such threats and accusations constitutes an abuse of judicial process and a misuse of the Plaintiff's copyright monopoly rendering the Plaintiff's musical compositions in suit unenforceable as to the Defendants.

10. By virtue of the Plaintiff's conduct and the conduct of the Plaintiff's agent The Harry Fox Agency, Inc., and the Plaintiff's misuse of its copyright monopoly in the musical compositions in suit, the Plaintiff is estopped from receiving any mechanical royalty payments from the Defendants.

11. By virtue of the Plaintiff's conduct and the conduct of the Plaintiff's agent The Harry Fox Agency, Inc., the Defendants are entitled to recover all costs and disbursements incurred in this action, including a reasonable attorney fee pursuant to 17 U.S.C. §116 of the Copyright Law.

s Stephen S. Chandler

United States District Judge

CERTIFICATE OF SERVICE

This is to certify that three copies of the foregoing Petition for Writ of Certiorari were mailed with first class postage prepaid to each of the attorneys for respondent, namely James D. Fellers and Frank Gregory, FELLERS, SNIDER, BAGGETT, BLANKENSHIP & BAILEY, 2700 First National Center, West, Oklahoma City, Oklahoma 73102; John C. Taylor III, Stuart Robinowitz, Sidney S. Rosdeitcher, Steven B. Rosenfeld, PAUL, WEISS, RIFKIND, WHARTON & GARRISON, 345 Park Avenue, New York, New York 10022; Robert C. Osterberg and John S. Clark, ABELES, CLARK & OSTERBERG, 745 Fifth Avenue, New York, New York 10022; and Charles B. Lutz, Jr., SPECK, PHILBIN & FLEIG, 1801 City National Bank Tower, Oklahoma City, Oklahoma 73102, this ..... day of ..... , 1974.

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JERRY J. DUNLAP